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LISTING STATEMENT NO. 2598

LISTED JANUARY 30, 1973

1,434,375 common shares without par value of which
234,000 shares are subject to issuance.

Stock Symbol EPA

Post Section 10

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

EASTERN PROVINCIAL AIRWAYS LIMITED

Incorporated under The Companies Act of Newfoundland
on the 8th day of March, 1949

CAPITALIZATION AS AT DECEMBER 12, 1972

SHARE CAPITAL	Authorized	Issued and Outstanding	To be Listed
Preferred Shares \$15 par value each, issuable in series	135,000	—	—
6% cumulative, redeemable, convertible Preferred Shares, Series A	67,000	67,000	Nil
Common Shares without nominal or par value	3,000,000	1,200,375	1,434,375
6% non-cumulative, redeemable Deferred Shares of the par value of \$100 each	47,500	45,681	Nil

LONG-TERM DEBT — PARENT COMPANY

The Parent Company has no Long-Term Debt

LONG-TERM DEBT — CONTROLLED COMPANY (EASTERN PROVINCIAL AIRWAYS (1963) LIMITED)

6½% Sinking Fund Debentures due 1991	—	6,000,000	Nil
Less: Sinking Fund	—	2,830,000	Nil
	—	3,170,000	Nil
12½% Debenture due 1975	—	260,000	
Bank Loan at Prime plus 1% due 1977 — Unsecured	—	1,310,000	Nil
7% Bank Loan due 1975 — Unsecured	—	382,000	Nil
Sundry Indebtedness — Unsecured	—	35,000	Nil

1.

APPLICATION

Eastern Provincial Airways Limited (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,434,375 Common Shares without nominal or par value in the capital stock of the Company, of which 1,200,375 Common Shares have been issued and are outstanding as fully paid and non-assessable. The remaining 234,000 Common Shares included in this Application have been reserved as follows:

Stock Option Plan reserving shares for future issuance to certain employees (other than present officers)	50,000
Employees' Stock Purchase Plan reserving shares for future issuance to employees (other than directors, officers and the employees eligible under the Stock Option Plan)	50,000
For issue upon conversion of outstanding 6% convertible Series A Preferred Shares	134,000
	234,000

Details with respect to the Stock Option Plan and Employees' Stock Purchase Plan are set forth at page 11 of the final Prospectus of the Company dated November 20, 1972, (the "Prospectus") under the heading "Stock Option and Stock Purchase Plans". The Prospectus is attached to and forms part of this Listing Statement.

2.

HISTORY

The Company was incorporated under the laws of the Province of Newfoundland on March 8, 1949. The Company commenced business in that year as a charter operator with single-engined aircraft providing air services to the isolated communities of Newfoundland and Labrador. Further details of the Company's development and subsequent acquisitions may be found on page 3 of the Prospectus, under the heading "The Company" and "Growth and Development".

3.

NATURE OF BUSINESS

The Company is a holding company whose only asset, other than monies in the bank, are all of the issued and outstanding shares of the capital stock of Maritime Central Airways Limited, which company in turn owns all of the issued and outstanding shares of the capital stock of Eastern Provincial Airways (1963) Limited ("Eastern Provincial"). For details of the operations of the subsidiary companies see Item 9 dealing with subsidiary companies. Eastern Provincial, the operating company, employs approximately 535 employees.

4.

INCORPORATION

The Company was incorporated under the laws of the Province of Newfoundland on March 8, 1949, with an authorized capital of \$50,000 divided into 2,000 Ordinary Shares of the par value of \$25 each. The Memorandum and Articles of Association of the Company have been amended by Special Resolutions of the Company filed in the Registry of Companies at St. John's, Newfoundland, on various dates, such that the authorized capital of the Company presently consists of 3,000,000 Common Shares without nominal or par value, 135,000 Preferred Shares of the par value of \$15 each, issuable in series, and 47,500 Deferred Shares of the par value of \$100 each.

5.

SHARE ISSUES DURING PAST TEN YEARS

(a) The following common shares of the Company have been issued during the past ten years:

Date of Issue	Number of Shares Issued	Amount Per Share Realized	Total Amount Realized	Purpose of Issue
O/S December 31, 1964	3,000		75,000	
May 7, 1965	2,000	25.00	50,000	Subscriptions
May 7, 1968	2,285	25.00	57,125	Subscriptions
May 13, 1968	568	25.00	14,200	Subscriptions
April 29, 1970	150	25.00	3,750	Subscriptions
 O/S December 31, 1970	 8,003		200,075	
October 4, 1972	1,000,375		200,075	125-for-1 exchange
December 12, 1972	200,000	6.25	1,250,000	Public offering
 O/S December 12, 1972	 1,200,375		1,450,075	

(b) The following 6% non-cumulative redeemable Deferred Shares of the par value of \$100 each have been issued during the past ten years:

Date of Issue	Number of Shares Issued	Amount Per Share Realized	Total Amount Realized	Purpose of Issue
August 30, 1963	37,023	100.00	3,702,300	Acquisition of Maritime Central Airways Limited
June 30, 1968	8,658	100.00	865,800	In payment of Note owing
 O/S December 12, 1972	 45,681		4,568,100	

(c) The following 6% cumulative, redeemable, convertible, Preferred Shares, Series A of \$15 par value each have been issued during the past ten years:

Date of Issue	Number of Shares Issued	Amount Per Share Realized	Total Amount Realized	Purpose of Issue
December 12, 1972	67,000	15.00	1,005,000	Public Offering
 O/S December 12, 1972	 67,000		1,005,000	

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.
No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder
and any representation to the contrary is an offense.

Circular No. 589A
November 20, 1972.

EASTERN PROVINCIAL AIRWAYS LIMITED



New and Secondary Issue

350,000 Common Shares

(without nominal or par value)

Of the 350,000 Common Shares offered by this prospectus, 200,000 shares are being purchased from the Company and 150,000 shares are being purchased from the Selling Shareholders whose names and holdings are shown under "Principal and Selling Shareholders" on page 14.

	<u>Price to the Public</u>	<u>Underwriting Commission</u>	<u>Proceeds to the Company*</u>	<u>Proceeds to Selling Shareholders*</u>
Per Common Share	\$6.25	\$0.45	\$5.80	\$5.80
Total	\$2,187,500	\$157,500	\$1,160,000	\$870,000

*Excluding expenses of issue estimated at \$41,000, of which 58% will be paid by the Company and 42% by the Selling Shareholders.

New Issue

67,000 shares

6% Cumulative Redeemable Convertible Preferred Shares, Series A

(\$15 par value each)

The Series A Preferred Shares offered by this prospectus will be entitled to dividends at the rate of 6% per annum, payable quarterly. The Series A Preferred Shares will not be redeemable on or before December 1, 1977, but thereafter will be redeemable at specified premiums.

The Series A Preferred Shares will be convertible at the holder's option into Common Shares at the rate of two Common Shares per Series A Preferred Share on or before December 1, 1978.

	<u>Price to the Public</u>	<u>Underwriting Commission</u>	<u>Proceeds to the Company **</u>
Per Series A Preferred Share	\$15.00	\$0.75	\$14.25
Total	\$1,005,000	\$50,250	\$954,750

**Excluding expenses of issue estimated at \$19,000.

Applications have been made to list the Common Shares and the Series A Preferred Shares on the Montreal Stock Exchange and the Common Shares on The Toronto Stock Exchange. Acceptance of the listings will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

There is no market for the Common Shares or the Series A Preferred Shares and the prices for these offerings were determined by negotiations between the Company, the Selling Shareholders and the Underwriter.

We, as principals, conditionally offer these Common Shares and Series A Preferred Shares as separate offerings and not in units, subject to prior sale, if, as and when issued, delivered to and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" on page 9.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates, in definitive form, will be available for delivery on or before December 12, 1972.

MERRILL LYNCH, ROYAL SECURITIES LIMITED

MONTRAL • TORONTO • VANCOUVER • VICTORIA • CALGARY • EDMONTON • REGINA • WINNIPEG
HAMILTON • OTTAWA • QUEBEC • SAINT JOHN • HALIFAX • CHARLOTTETOWN • ST. JOHN'S • LONDON, ENGLAND

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Legal Matters

Legal matters in connection with the Common Shares and the Series A Preferred Shares offered by this prospectus will be subject to the prior approval of McCarthy, Monet, Johnston, Heenan & Blaikie, Montreal, on behalf of the Company and the Selling Shareholders, and of Byers, Casgrain & Stewart, Montreal, on behalf of the Underwriter, both of whom will rely upon Aylward, Crosbie & Collins, St. John's, as to all matters of Newfoundland law.

Auditors, Transfer Agent and Registrar

The auditors of the Company are Peat, Marwick, Mitchell & Co., Chartered Accountants, St. John's.

The Transfer Agent and Registrar for the Company's Common Shares and Series A Preferred Shares is The Royal Trust Company at its principal offices in St. John's, Halifax, Montreal, Toronto, Winnipeg and Regina.

The Company

Eastern Provincial Airways Limited (the "Company") was incorporated under the laws of the Province of Newfoundland on March 8, 1949. The Company owns all the issued and outstanding shares in the capital stock of Maritime Central Airways Limited which was incorporated under the laws of Canada on September 30, 1941. Maritime Central Airways Limited, in turn, owns all the issued and outstanding shares in the capital stock of Eastern Provincial Airways (1963) Limited ("Eastern Provincial") which was incorporated under the laws of the Province of Newfoundland on July 30, 1963. The Memorandum and Articles of Association of the Company have been amended by special resolutions filed in the Registry of Companies at St. John's, Newfoundland on January 11, 1952, August 6, 1963, June 17, 1968, June 19, 1972, October 4, 1972 and October 9, 1972. The effect of these special resolutions has been, among other things, to alter, cancel and increase the authorized capital stock of the Company so that it consists of 135,000 cumulative, redeemable, Preferred Shares of the par value of \$15 each, 3,000,000 common shares without nominal or par value and 47,500 Deferred Shares of the par value of \$100 each. The head offices and principal offices of the Company and its subsidiaries are located at Gander International Airport, Gander, Newfoundland.

Eastern Provincial is the operating company of the group and carries on the business of a regional air carrier providing regularly scheduled passenger and cargo air services within the Atlantic Provinces with access to Montreal. Eastern Provincial is also engaged to a lesser extent in charter air services within its region and in international passenger charter service.

Growth and Development

The Company commenced business in 1949 as a charter operator with a single-engined aircraft providing air ambulance and other services to the isolated communities of Newfoundland and Labrador. Operations were expanded during the 1950's to include transportation of mail and supplies, fire and ice patrol services and geological, geodetic and photographic surveys. Passenger services were commenced by the Company in 1960 under a contract with the Danish Government to serve communities along the west coast of Greenland. Scheduled services between Labrador and the island of Newfoundland were inaugurated in 1961. Scheduled operations were greatly expanded in 1963 by the Company's acquisition of Maritime Central Airways Limited which provided scheduled services between points in each of the Atlantic Provinces and to points in Quebec. Scheduled operations continued to develop and in 1966 Eastern Provincial was recognized as the regional air carrier for the Atlantic Provinces. Eastern Provincial entered the jet age in 1969 with two Boeing 737 jet aircraft and a third jet was added in 1970. Later that year, Eastern Provincial sold the major portion of its charter operations and by 1971 approximately 93% of operating revenues were produced by scheduled operations.

The following statistics indicate the growth and development of Eastern Provincial's operations for the five year and eight month period ended August 31, 1972:

	Years ended December 31					Eight Months ended August 31 (1)	
	1967	1968	1969	1970	1971	1971 (Unaudited)	1972
Scheduled Operations:							
Revenue passenger miles (000's) ..	27,000	33,000	58,000	107,000	143,000	97,000	106,000
Revenue passengers carried (000's) ..	106	111	140	240	332	221	248
Percent carried on jet aircraft	nil	nil	41%	80%	82%	81%	82%
Cargo ton miles flown (000's)	2,654	2,530	2,802	3,016	3,066	1,926	2,365
Aircraft miles flown (000's)	1,807	1,939	2,756	3,193	3,699	2,411	2,610
Financial (000's):							
Revenues:							
Scheduled operations (2)	\$5,266	\$5,989	\$ 8,244	\$12,171	\$15,544	\$ 9,950	\$11,174
Charter and other operations ..	2,884	2,873	2,850	1,975	1,070	800	1,093
Total revenues	\$8,150	\$8,862	\$11,094	\$14,146	\$16,614	\$10,750	\$12,267
Net income (loss)(3):							
Before extraordinary items	\$ 43	\$ (245)	\$ (703)	\$ 120	\$ 155	\$ 218	\$ 672
After extraordinary items	72	140	(676)	432	1,618	383	672

(1) Eastern Provincial's operations are of a seasonal nature, with the greatest portion of revenues and operating income resulting from scheduled operations during the second and third quarters of the year.

(2) Government subsidies, included above in revenues from scheduled operations, are received on Eastern Provincial's secondary scheduled routes pursuant to the federal government policy referred to under "Regional Air Carrier Policy in Canada" on page 6.

(3) Operating losses were incurred in 1968 and for the first half of 1969 due principally to Eastern Provincial's small route structure which at that time was operated exclusively with propeller aircraft and for the second half of 1969 due principally to the rapid conversion to jet equipment initially under expensive short term leases. Since late 1969 however, Eastern Provincial has either owned or leased on a long term basis its jet equipment.

Scheduled Operations

Eastern Provincial's scheduled route system comprising major routes and secondary routes covers a total of 4,969 miles and serves 15 cities and towns in the Atlantic Provinces and three points in the Province of Quebec. Principal urban centres served by Eastern Provincial include St. John's, Sydney, Halifax, Charlottetown, Moncton, Fredericton, Saint John and Montreal. A map of the scheduled route system appears on page 7.

Scheduled operations accounted for 93% of Eastern Provincial's total revenues in 1971, compared with 64% in 1967. Eastern Provincial anticipates that scheduled services will continue to produce the major portion of its revenues. Scheduled air services produce revenues from passenger traffic and the transport of mail, air express and air freight. Passenger traffic accounts for the major part of such revenues, amounting to 86% of revenues from scheduled operations in 1971, compared with 64% in 1967.

Charter and Other Operations

Eastern Provincial provides charter passenger and cargo services under agreements with two public utilities, a United States governmental agency and Air St. Pierre, a non-affiliated company providing passenger and cargo air service between Sydney, Nova Scotia and St. Pierre and Miquelon. Certain of Eastern Provincial's propeller aircraft, not normally in use in Eastern Provincial's scheduled operations, are used to provide these services on a regular basis. Eastern Provincial also operates international passenger charter services from eastern Canada to the Caribbean and southern United States as a means of obtaining additional utilization of its jet fleet. Other services include the operation of three airports under contracts with the Department of Transport. Charter and other operations accounted for approximately 7% of Eastern Provincial's total revenues in 1971, compared with 36% in 1967.

Route Proceedings

At the present time, Eastern Provincial has an application pending before the Air Transport Committee of the Canadian Transport Commission to suspend service during the winter months on the Charlottetown-Charlo-Sept-Iles secondary route.

An application is also pending before the Civil Aeronautics Board of the United States for permission to provide charter passenger and cargo services between any point in the United States and any point in Canada without the necessity of making a separate application for each flight. Certain Canadian air carriers have such rights and applications similar to Eastern Provincial's have also been filed by other Canadian air carriers.

It is not known when decisions will be rendered on these applications or whether they will be approved.

Competition

Limited competition is permitted between certain air carriers as described under the heading "Regional Air Carrier Policy in Canada" on page 6. Air Canada operates scheduled services on some segments of Eastern Provincial's major routes and on a segment of a secondary route. Another regional air carrier operates a scheduled service on the Montreal-Churchill Falls segment of one of Eastern Provincial's major routes. A number of smaller air carriers operate services to some points on Eastern Provincial's secondary route system.

To some extent, surface transportation is competitive with the air services provided by Eastern Provincial. However, bodies of water and sparsely-populated wilderness areas in Eastern Provincial's region have restricted the development of surface transportation and thereby limited the impact of competition from alternative means of transportation.

Equipment and Facilities

Eastern Provincial's fleet is comprised of the following nine aircraft: three Boeing 737 jets (under 13 year leases); three Handley Page Dart Herald turbo-props; two Douglas DC-3 pistons (one under a one year lease); and one DHC-6 Twin Otter turbo-prop.

Since 1969, Eastern Provincial has followed a policy of standardizing to an all-jet fleet because of lower seat-mile operating expenses and higher passenger acceptability of jet aircraft. In line with this policy and to provide for expanding service on its route system, Eastern Provincial has on order, for delivery by April 30, 1973, its fourth Boeing 737 jet and a spare jet engine and for delivery by October 30, 1973, its fifth Boeing 737 jet. Financing arrangements, which include the application of part of the net proceeds from this offering, are referred to under "Use of Proceeds" on page 9 and in items 8 and 9 under "Material Contracts" on page 15.

Eastern Provincial's major hangar and maintenance facilities are at Gander International Airport and at Moncton Airport and are erected on land leased from the Department of Transport. These facilities are equipped to service and maintain the fleet, with the exception of major airframe overhauls of its Boeing 737 jets carried out under contract with one of Canada's mainline air carriers and major overhauls of jet and turbo-prop engines carried out by the engine manufacturers. Eastern Provincial also owns or leases other facilities for cargo storage and passenger handling at all airports on its route system.

Since its incorporation, Eastern Provincial has followed a policy of providing from net income each year an amount to meet the estimated cost of major overhauls as they occur.

Insurance

Eastern Provincial carries hull insurance on all its aircraft at current replacement values, as well as passenger and public liability and property damage insurance. Eastern Provincial's insurance coverage for domestic and international flights is in all cases substantially in excess of the present minimum requirements of all regulations enacted under the Aeronautics Act (Canada).

Employees

On August 31, 1972 Eastern Provincial had 535 employees of whom 458 were covered under various collective agreements and were represented by either the International Association of Machinists and Aerospace Workers' Union or the Maritime Airline Pilots Association. The agreements vary in term from 12 to 24 months and expire at various dates from March 31, 1973 to December 31, 1973.

Regulation of Business

Eastern Provincial, along with all other Canadian air carriers, is subject to the provisions of the Aeronautics Act (Canada) and the Air Carrier Regulations enacted thereunder. Eastern Provincial's routes, tolls, schedules and minimum insurance requirements, among other things, are subject to regulation by the Air Transport Committee of the Canadian Transport Commission. Similarly, its equipment, facilities and flight operations are regulated by the Department of Transport.

Eastern Provincial is licensed to perform the following domestic services:

Class 1—Scheduled commercial air service offering public transportation of persons, goods or mail by aircraft, serving points in accordance with a service schedule at a toll per unit of traffic;

Class 2—Regular Specific Point commercial air service, offering, to the extent that facilities are available, public transportation of persons, goods or mail by aircraft, serving points in accordance with a service pattern at a toll per unit of traffic;

Class 4—Charter commercial air service, offering public transportation, on reasonable demand, of persons or goods from the base specified in the licenses at a toll per mile or per hour for the charter of the entire aircraft, or at such other tolls as may be allowed; and

Class 7—Specialty commercial air service offering a service that is operated from the base specified in the licenses issued for that commercial air service for the purposes of recreational flying, aerial inspection, reconnaissance and advertising.

Eastern Provincial is also authorized to perform the following international services:

Class 9-3—International Non-scheduled Irregular Specific Point commercial air service, offering public transportation of persons, goods or mail by aircraft from points in Canada designated in its licenses to points in any other country, serving such points consistent with traffic requirements and operating conditions at a toll per unit of traffic; and

Class 9-4—International Non-scheduled Charter commercial air service, offering public transportation on reasonable demand of persons or goods between places specified in its licenses in Canada and places in any other country at a toll per mile or per hour for the charter of the entire aircraft, or at such other tolls as may be allowed.

Eastern Provincial must also obtain flight authorization for its international charter services from the appropriate authority of the foreign government.

The routes shown on the Company's route map on page 7 are all operated under Class 1 or Class 2 licenses with the exception of the Sydney, Nova Scotia-St. Pierre and Miquelon route, which is operated under a Class 9-3 license.

Throughout this prospectus, the words "schedule" or "scheduled" whether used alone or in association with other words describe Eastern Provincial's commercial air services conducted under Class 1 and Class 2 licenses.

Regional Air Carrier Policy in Canada

The role of regional air carriers has been described in the Statement of Principles for Regional Air Carriers tabled in the House of Commons on October 20, 1966, as supplemented by statements of the Minister of Transport, to be the provision of local or regional air services to supplement the domestic mainline services of Air Canada and CP Air and the provision of scheduled services to Canada's northern regions. Limited competition was to be permitted between a regional carrier and a mainline carrier on certain mainline route segments and it was anticipated that some secondary routes operated by Air Canada or CP Air would in time become eligible for transfer to a regional carrier. Such transfers of routes have, in fact, occurred since the tabling of the Statement. Canada's five regional air carriers were expected to operate for the most part within their designated regions and not to expand as potential transcontinental air carriers.

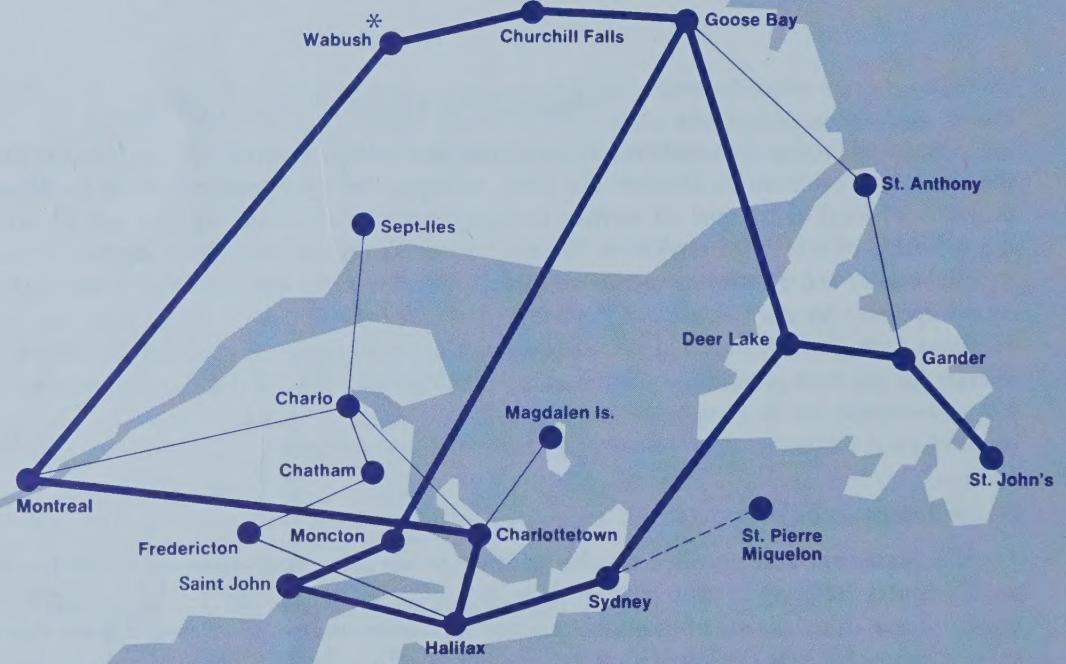
Government Subsidies

The Statement also provided for the granting of subsidies, upon approval of the Treasury Board, for scheduled or regular routes fulfilling certain criteria, such as routes serving remote areas requiring the maintenance of regular air service where other means of transport are not available, and routes having a good chance of success but requiring subsidy support during the initial period of development. Under the Statement, subsidy payments were not intended to be of a permanent nature.

Subsidies earned by Eastern Provincial during the five years and eight months ended August 31, 1972 are set out in the Consolidated Statement of Income on page 19. Eastern Provincial's major routes which accounted for 84% of revenues from scheduled operations in 1971 were operated without subsidy. Subsidies are received in respect of its secondary routes. Eastern Provincial expects that its requirements for subsidies on secondary routes will be progressively reduced as it develops these routes, particularly as it introduces jet service under its program of fleet standardization on these routes.

Route Map

EASTERN PROVINCIAL AIRWAYS



Major routes, served by jet aircraft, are indicated above with bold lines and secondary routes, served by propeller aircraft, are indicated with narrow lines. The St. Pierre and Miquelon service, operated on an intermittent basis, is indicated with a dotted line.

*No traffic rights between Montreal and Wabush.

Capitalization

The capitalization of the Company and its subsidiaries on a consolidated basis is set out in the following table:

<u>Designation of Security</u>	<u>Authorized</u>	<u>Outstanding August 31, 1972</u>	<u>Outstanding September 30, 1972</u>	<u>Outstanding after giving effect to these offerings</u>
Current Bank Loans, Secured (1) (2)		<u>\$ 531,000</u>	<u>\$ 384,000</u>	<u>\$ nil</u>
Long Term Debt (1):				
6½% Sinking Fund Debentures				
due 1991 (3)		\$6,000,000	\$6,000,000	\$6,000,000
Less: Sinking Fund (4)		2,779,000	2,779,000	2,779,000
		<u>3,221,000</u>	<u>3,221,000</u>	<u>3,221,000</u>
12¼% Debenture due 1975 (5)		290,000	280,000	280,000
Bank Loan at Prime Plus 1%				
due 1977—Unsecured		1,375,000	1,375,000	1,375,000
7% Bank Loan				
due 1975—Unsecured		382,000	382,000	382,000
Sundry Indebtedness—Unsecured		35,000	35,000	35,000
Total Long Term Debt		<u>\$5,303,000</u>	<u>\$5,293,000</u>	<u>\$5,293,000</u>
Capital Stock (6):				
Preferred Shares, \$15 par value each, issuable in series		135,000 shs. (\$2,025,000)		
6% Cumulative Redeemable Convertible Preferred Shares, Series A			nil	nil
Deferred Shares, \$100 par value each (7)		47,500 shs. (\$4,750,000)	—	—
Common Shares without nominal or par value (8) ...		3,000,000 shs.	1,000,375 shs. (\$200,075)	1,000,375 shs. (\$200,075)
				1,200,375 shs. (\$1,450,075)

Notes:

- (1) The borrower in respect of the Current Bank Loans and Long Term Debt is Eastern Provincial.
- (2) Current Bank Loans are secured by a general assignment of accounts receivable. Other current amounts due to bank are not secured.
- (3) The Sinking Fund Debentures are unconditionally guaranteed by the Province of Newfoundland, this guarantee being secured by a first and specific mortgage on certain assets and a first floating charge on all assets.
- (4) The sinking fund investments together with the future earnings of the fund will be sufficient to retire the full principal amount of the Sinking Fund Debentures at maturity.
- (5) This Debenture is non-redeemable prior to maturity and is secured by a first and specific mortgage and charge on certain assets and a floating charge on all assets.
- (6) By special resolutions filed in the Registry of Companies at St. John's, Newfoundland on October 4 and October 9, 1972, the Company altered, cancelled and increased its authorized capital stock by creating 3,000,000 Common Shares without nominal or par value and 135,000 cumulative, redeemable Preferred Shares of the par value of \$15 each, issuable in series, cancelling 1,997 common shares of the par value of \$25 each then authorized but unissued and altering the designation and certain terms of the 47,500 6% non-cumulative, redeemable preference shares of the par value of \$100 each to constitute them as Deferred Shares of the par value of \$100 each. The Company also fixed the terms for the exchange of certain of the Company's Common Shares without nominal or par value for all of the then outstanding 8,003 common shares with the par value of \$25 each at the rate of 125 to 1 so that upon receipt by the Company of these 8,003 common shares, 1,000,375 Common Shares without nominal or par value issued in exchange therefor shall be deemed fully paid and non-assessable.
- (7) All outstanding Deferred Shares of the Company are held by Eastern Provincial and thereby eliminated upon consolidation. At August 31, 1972, 45,681 Deferred Shares were outstanding and following completion of the purchase for cancellation referred to under "Use of Proceeds" on page 9, 24,964 Deferred Shares will be outstanding. Reference is made to "Description of Deferred Shares" on page 11.
- (8) 134,000 Common Shares are to be reserved for issuance under the conversion privilege attaching to the Series A Preferred Shares referred to under "Description of Series A Preferred Shares" on page 9. A further 100,000 Common Shares are reserved for issuance under the plans referred to under "Stock Option and Stock Purchase Plans" on page 11.
- (9) In addition to the stated dollar value of the outstanding capital stock, the Company had consolidated retained earnings of \$2,422,000 as at August 31, 1972.
- (10) Reference is made to Note 10 of the Notes to Consolidated Financial Statements for details of certain obligations under long term leases of aircraft and commitments to acquire aircraft and equipment.

Use of Proceeds

The net proceeds to be received by the Company from the sale of 200,000 Common Shares and 67,000 Series A Preferred Shares offered by this prospectus, estimated at \$2,114,750, are intended to be used to repay current bank indebtedness (\$1,299,000 as of October 31, 1972) incurred for general operating purposes, to finance, in part, a capital expenditure program which includes an additional spare jet engine, a fifth jet aircraft and spare equipment for the fourth and fifth jet aircraft and the balance of proceeds, if any, to augment working capital.

To permit this use of the proceeds by Eastern Provincial, the operating subsidiary, the Company will purchase for cancellation 20,717 Deferred Shares of the Company owned by Eastern Provincial.

The Company will not receive any part of the proceeds from the sale by the Selling Shareholders of 150,000 Common Shares offered by this prospectus.

Plan of Distribution

Under an Underwriting Agreement dated November 20, 1972 between the Company, the Selling Shareholders and Merrill Lynch, Royal Securities Limited (the "Underwriter"), the Company agreed to issue and sell 200,000 Common Shares and 67,000 Series A Preferred Shares and the Selling Shareholders agreed to sell 150,000 Common Shares and the Underwriter agreed to purchase, in the aggregate, 350,000 Common Shares at a net price of \$5.80 per share and 67,000 Series A Preferred Shares at a net price of \$14.25 per share, in each case payable in cash against delivery of certificates representing such shares on or before December 12, 1972. The Agreement provides that the Underwriter is obliged to take up and pay for all of the shares if any of the shares are purchased, that the obligations of the Underwriter are subject to the satisfaction of certain terms and conditions and that the agreement may be terminated at the Underwriter's discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events.

The Underwriter, in turn, proposes to offer these Common Shares and Series A Preferred Shares as separate offerings, and not as units, to the public in all provinces of Canada.

Description of Series A Preferred Shares

The authorized capital of the Company consists in part of 135,000 Preferred Shares of the par value of \$15 each, of which 67,000 have been designated as 6% Cumulative Redeemable Convertible Preferred Shares, Series A ("Series A Preferred Shares") and will be issued and outstanding as fully paid and non-assessable upon the completion of this offering. The following is a summary of the rights, preferences, restrictions, conditions and limitations attaching to the Series A Preferred Shares.

Dividends

The holders of the Series A Preferred Shares shall be entitled to receive fixed, cumulative, preferential, cash dividends, as and when declared by the board of directors of the Company, at the rate of 6% per annum of the par value of each Series A Preferred Share. Dividends shall accrue from the date of issue of the Series A Preferred Shares and shall be payable quarterly on the first days of January, April, July and October, the first of such payment dates to be April 1, 1973.

In the agreement currently under negotiation referred to in item 8 under "Material Contracts" on page 15, the Company will covenant that dividends on its Preferred Shares shall not be declared or paid nor shall any Preferred Shares be redeemed or purchased for cancellation unless after such actions, the working capital of Eastern Provincial exceeds \$1,000,000 and its shareholders' equity exceeds \$5,000,000. As of October 31, 1972, Eastern Provincial's working capital was \$2,508,000 and its shareholders' equity was \$5,895,000.

Conversion Privilege

The holders of Series A Preferred Shares shall have the right to convert Series A Preferred Shares into fully paid and non-assessable Common Shares of the Company at the rate of two Common Shares per Series A Preferred Share converted on or before December 1, 1978. In the event of any subdivision, consolidation or other similar change of the Common Shares, the basis for conversion of the Series A Preferred Shares will be adjusted accordingly. If the Company proposes to issue subscription warrants or other rights to the holders of its Common Shares, it will give prior notice to the holders of the Series A Preferred Shares.

Redemption and Purchase for Cancellation

The Series A Preferred Shares will not be redeemable on or before December 1, 1977. Thereafter, the Company may, at any time and from time to time, as long as there are no dividends in arrears in respect of the Series A Preferred Shares, redeem all or any part of the Series A Preferred Shares outstanding on payment for each share to be redeemed of a redemption price equal to the amount paid up thereon together with all dividends accrued on the shares to be redeemed up to the date fixed for redemption and with a redemption premium of \$ 0.60 per Series A Preferred Share redeemed on or before the 1st day of December, 1982, and \$ 0.30 per Series A Preferred Share redeemed thereafter.

The Company, at any time and from time to time, as long as there are no dividends in arrears in respect of the Series A Preferred Shares, may purchase for cancellation all or any part of the outstanding Series A Preferred Shares on the market or by invitation for tenders at the lowest price at which, in the opinion of the board of directors of the Company, such shares are obtainable, but not exceeding the then current redemption price plus the costs of purchase.

Purchase Fund

Commencing with the year 1975, the Company shall during each year apply an amount equal to 3% of the aggregate par value of the Series A Preferred Shares outstanding on the immediately preceding December 31 to the purchase for cancellation of the Series A Preferred Shares, to the extent that they are reasonably available for purchase at a price not exceeding the then current redemption price, plus costs of purchase.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, the holders of the Series A Preferred Shares will be entitled to receive in priority to the holders of any shares in the capital stock of the Company now or hereafter created other than subsequent series of the Preferred Shares, an amount equal to the amount paid up thereon, plus all accrued and unpaid dividends and in the case of voluntary liquidation, an amount equal to the redemption premium, if any, prevailing at such date, but shall not be entitled to share in any further distribution of the assets of the Company.

Additional Shares

So long as any Preferred Shares are outstanding, the Company will not create or issue any shares which will rank in priority to the Preferred Shares.

The board of directors of the Company may issue from time to time subsequent series of the Preferred Shares which will rank equally with the Series A Preferred Shares. The Company will not create or issue any other shares which will rank equally with the Series A Preferred Shares unless the consolidated net income of the Company for any 12 consecutive months out of the 18 consecutive months next preceding the date of such issue is equal to at least 2½ times the maximum annual dividend requirements of all Preferred Shares and any other shares ranking on a par therewith in respect of the payment of dividends after giving effect to the proposed issuance of such shares.

Voting Rights when Cumulative Dividends in Arrears

The holders of the Series A Preferred Shares are not entitled to attend or vote at meetings of shareholders unless the Company is in arrears, in the aggregate, eight quarterly dividends on the Series A Preferred Shares. Thereafter, so long as any such dividends remain in arrears, the holders of Series A Preferred Shares will be entitled to attend meetings of shareholders and will be entitled to one vote in respect of each Series A Preferred Share held.

Modification of Rights

Any rights attaching to the Preferred Shares as a class or to the Series A Preferred Shares may be varied only by at least two-thirds of the votes cast at a meeting at which at least the majority of the holders of the Preferred Shares or the Series A Preferred Shares are represented, as the case may be.

Description of Common Shares

The authorized capital of the Company consists, in part, of 3,000,000 common shares without nominal or par value (the "Common Shares"), of which 1,200,375 will be issued and outstanding as fully paid and non-assessable following completion of this offering and following the completion of the exchange referred to in Note 6 under "Capitalization" on page 8.

Each Common Share of the Company entitles the holder thereof to one vote for each share held at all meetings of shareholders. Each Common Share ranks equally with all other Common Shares with respect to dividend rights and upon the winding-up or dissolution of the Company.

Dividend Policy

The payment of dividends on the Common Shares will be determined by the Board of Directors on the basis of the earnings, financial condition and capital requirements of the Company.

In the conditional sale agreement currently under negotiation referred to in item 8 under "Material Contracts" on page 15, the Company intends to covenant that dividends on its Common Shares shall not be declared or paid in any one year in excess of 50% of consolidated net income (after deducting dividends applicable to Preferred Shares) earned in the previous year.

Stock Option and Stock Purchase Plans

On October 12, 1972 the Company adopted a Stock Option Plan whereby 50,000 Common Shares were reserved for issue to certain employees (other than the present officers). Options will be exercisable for a period not exceeding five years and will be for a price equal to the average of the closing prices of the Common Shares on any stock exchanges on which they may be listed on the last business day preceding the date the option is granted. No options have been granted under the Stock Option Plan and there are no other outstanding options to purchase any shares of the Company.

On October 12, 1972 the Company adopted an Employees' Stock Purchase Plan whereby 50,000 Common Shares were reserved for issue to employees (other than directors, officers or employees eligible under the Stock Option Plan). Any of such Common Shares will be offered from time to time at a price equal to the average of the closing prices of the Common Shares on any stock exchanges on which they may be listed on the date fixed in accordance with the Plan, with provision for payment by the employee over 12 months.

Description of Deferred Shares

The authorized capital of the Company includes 47,500 Deferred Shares of the par value of \$100 each (the "Deferred Shares") of which 45,681 are presently issued and outstanding as fully paid and non-assessable and are owned by Eastern Provincial. Following completion of the purchase for cancellation as set out under "Use of Proceeds" on page 9, 24,964 Deferred Shares will be issued and outstanding and will be owned by Eastern Provincial.

The Deferred Shares are non-voting, may be redeemed or purchased for cancellation only out of the proceeds of an issue of shares of the Company issued for that purpose, bear 6% per annum non-cumulative dividends and are subordinate to all other classes of shares, whether now or hereafter authorized, except with respect to rights on liquidation, dissolution or winding-up, in which event the Deferred Shares shall rank prior to the Common Shares for the amount paid up thereon and for all declared and unpaid non-cumulative dividends. To modify the provisions attaching to the Deferred Shares, the separate approval of each class of shares then outstanding is required.

Directors and Officers

The names and home addresses of the directors and officers of the Company, the offices held by each and their principal occupations during the five preceding years, are as follows:

<u>Name and Address</u>	<u>Position</u>	<u>Principal Occupation</u>
Andrew Chesley Crosbie P.O. Box 398 St. John's, Newfoundland	Chairman of the Board and Director	President and Chief Executive Officer, Newfoundland Engineering and Construction Co. Ltd.
*Arthur James Lewington 260 Elizabeth Drive Gander, Newfoundland	President, Chief Executive Officer and Director	Officer of the Company
**Keith Alfred Miller 1360 d'Auteuil Blvd. Duvernay, Laval, Quebec	Executive Vice President and Director	Officer of the Company
Harold Anthony Collins 73 MacDonald Drive Gander, Newfoundland	Director	Minister of Municipal Affairs & Housing, Province of Newfoundland and Labrador
Walter John Cox P.O. Box 582 18 Charlotte Drive Charlottetown, Prince Edward Island	Director	President, The Pure Milk Company Limited
*William Farrell Gaudet 37 Wilcockson Crescent Gander, Newfoundland	Vice President—Marketing and Director	Officer of the Company
Arthur Russell Harrington 2350 Arm Crescent West Halifax, Nova Scotia	Director	Vice President, Halifax Developments Limited
William Henry Harris 315 Berkeley Place Dorval, Quebec	Vice President—Government and Industry Affairs and Director	Officer of the Company
*Bryan Goodwin Jones 148 Memorial Drive Gander, Newfoundland	Vice President—Engineering and Maintenance and Director	Officer of the Company
*Marshall Bruce Jones 22 Wilcockson Crescent Gander, Newfoundland	Vice President—Operations and Director	Officer of the Company
Karl Henrik Larsson 3468 Drummond Street Montreal, Quebec	Vice President—Planning and Director	Officer of the Company
Richard Henry Oland Far End Rothesay, New Brunswick	Director	Officer, Moosehead Breweries Limited
Harold Raymond Steele 25 Boyd Street Gander, Newfoundland	Director	Lieutenant Commander, Canadian Armed Forces
*Harold Lewis Wareham 25 Wilcockson Crescent Gander, Newfoundland	Vice President—Finance, Secretary and Director	Officer of the Company

*Member of the Executive Committee of the Company.

**Chairman of the Executive Committee of the Company.

All of the directors and officers have held their present principal occupations for the past five years, except H.A. Collins, who was a Member of the Legislature of the Province of Newfoundland and Labrador prior to October, 1971, at which time he was also appointed Minister of Municipal Affairs and Housing, A. R. Harrington, who was President of Nova Scotia Light and Power Company, Limited prior to January 27, 1972 and K. H. Larsson, who was a Vice President, Systems Analysis & Research Corporation, Geneva, Switzerland from November, 1969 to March, 1970 and a Regional Manager for Garrett International Ltd., Stockholm, Sweden prior to November, 1969.

The Government of the Province of Newfoundland and Labrador has the right to cause the election of two directors, pursuant to the agreements referred to in items 3, 5 and 6 under the heading "Material Contracts" on page 15. Messrs. H. A. Collins and H. R. Steele, listed above, are the present nominees of the Government.

Remuneration

The Articles of Association of the Company provide that remuneration of the directors will be determined by the Company in general meeting. The aggregate remuneration paid by the Company and its subsidiaries to its directors and senior officers during the year ended December 31, 1971 was \$223,000 and for the nine months ended September 30, 1972 was \$202,000.

The cost of all pension and retirement benefits payable, directly or indirectly, to the directors and senior officers of the Company and its subsidiaries as a group in the event of retirement at normal retirement age during the year ended December 31, 1971 was \$12,000 and for the nine months ended September 30, 1972 was \$11,000.

Interest of Management and Others in Material Transactions

During the three years prior to the date hereof two directors of the Company, one of whom is also a senior officer, were associated with certain corporations which had business dealings with Eastern Provincial. Members of the family of one of these directors were also the beneficiaries under a trust which had business dealings with Eastern Provincial. The following is a description of those associations and business dealings:

1. Until June, 1972, Crosbie & Company Ltd. was the beneficial owner of a minority interest of Crosbie Manson & Lincoln Ltd. (now Lincoln Manson Ltd.), a company which acts as insurance broker for Eastern Provincial. Crosbie & Company Ltd. is indirectly controlled by Crosoils Limited of which A. C. Crosbie is a minority shareholder. During the period in question, A. C. Crosbie has not voted any of the shares which he owns in Crosoils Limited because of a voting trust agreement which is still in effect. He is an officer and director of Crosbie & Company Ltd. and Crosoils Limited.
2. Eastern Provincial has, from time to time, rented a hunting and fishing camp from Kaegudeck Cabins Limited, a licensed tourist establishment. A. C. Crosbie is the President and a Director of Kaegudeck Cabins Limited, which company is, in turn, a wholly-owned subsidiary of Newfoundland Engineering and Construction Co. Ltd., a company controlled by A. C. Crosbie. During the three years immediately prior hereto, Eastern Provincial paid rental for the use of the camp on a per diem basis which has averaged approximately \$20,000 per year.
3. As at July 31, 1972, Eastern Provincial was owed \$69,112 by five companies with which A. C. Crosbie is associated for services rendered by Eastern Provincial in the normal course of its operations. As of the end of August, 1972, there was an amount of approximately \$2,000 owing. Eastern Provincial is owed approximately \$25,000 by Crosbie Services Limited, a company indirectly controlled by A. C. Crosbie, being the unpaid balance owing under a conditional sales contract pursuant to which the latter company purchased an aircraft from Eastern Provincial. The balance of price with interest at the rate of 10% per annum is payable monthly and will be fully discharged in approximately two years.
4. The Andrew Crosbie Lifetime Trust was created by A. C. Crosbie for the benefit of his children and, should he predecease her, his wife. The Montreal Trust Company is the only trustee and A. C. Crosbie has no control over its management and derives no income therefrom. In 1965, this trust financed the construction of an air terminal for Eastern Provincial at Deer Lake. This facility is leased to Eastern Provincial at a rental of \$13,200 per year under a lease expiring April, 1975.
5. Commencing in May, 1972, Eastern Provincial leases space in the Albatross Motel at Gander, Newfoundland to be used for accommodation for its air crews and executive personnel at a rental of \$4,340 per month terminating in 1974. The lease for a small portion of this space continues at a rental of \$325 per month to 1977. H. R. Steele, a director of the Company, and his wife are the beneficial owners of 50% of the Albatross Motel Limited.

Principal and Selling Shareholders

The names and addresses of the Principal and Selling Shareholders of the Company, the number of Common Shares now owned by them, to be sold by them and to be owned by them after this offering is as follows:

<u>Name and Address</u>	<u>Number of shares owned (1)</u>	<u>Percentage of class outstanding</u>	<u>Number of shares to be sold by Shareholder</u>	<u>Number of shares to be owned after this offering</u>	<u>Percentage of class outstanding to be owned after this offering</u>
A. C. Crosbie P.O. Box 398 St. John's, Newfoundland	238,750	23.9%	23,875	214,875	17.9%
Crosbie & Company Ltd. (2) Crosbie Place, St. John's, Newfoundland	31,000	3.1	3,100	27,900	2.3
Newfoundland Engineering & Construction Co. Ltd. (3) Crosbie Place, St. John's, Newfoundland	141,625	14.2	66,851	74,774	6.2
Andrew Crosbie Lifetime Trust (4) c/o Montreal Trust Company P.O. Box E5787 St. John's, Newfoundland	50,000	5.0	5,000	45,000	3.7
W. F. Gaudet 37 Wilcockson Crescent Gander, Newfoundland	18,750	1.9	1,875	16,875	1.4
W. H. Harris 315 Berkeley Place Dorval, Quebec	92,875	9.3	9,287	83,588	7.0
B. G. Jones 148 Memorial Drive Gander, Newfoundland	25,000	2.5	2,500	22,500	1.9
M. B. Jones 22 Wilcockson Crescent Gander, Newfoundland	37,500	3.7	3,750	33,750	2.8
K. H. Larsson 3468 Drummond Street Montreal, Quebec	18,875	1.9	1,887	16,988	1.4
A. J. Lewington 260 Elizabeth Drive Gander, Newfoundland	150,000	15.0	15,000	135,000	11.2
K. A. Miller 1360 d'Auteuil Blvd. Duvernay, Laval, Quebec	150,000	15.0	15,000	135,000	11.2
H. L. Wareham 25 Wilcockson Crescent Gander, Newfoundland	18,750	1.9	1,875	16,875	1.4
	<u>973,125</u>	<u>97.4%</u>	<u>150,000</u>	<u>823,125</u>	<u>68.4%</u>

Notes:

- (1) All of the above shares are held of record and beneficially.
- (2) At October 31, 1972, the controlling shareholder of Crosbie & Company Ltd. was Holdings Corporation Limited which was, in turn, controlled by Crossoils Limited. A majority of the outstanding shares of the latter company were beneficially owned in equal amounts by Percy M. Crosbie and A. C. Crosbie, with the balance being owned by Crosbie & Company Ltd.
- (3) At October 31, 1972, the controlling shareholder of Newfoundland Engineering & Construction Co. Ltd. was A. C. Crosbie. Crosbie & Company Ltd. and Wallace Pennell each held minority interests in the outstanding shares of that company.
- (4) The Andrew Crosbie Lifetime Trust was created by A. C. Crosbie for the benefit of his children and, should he predecease her, his wife. The Montreal Trust Company is the only trustee.

Eastern Provincial Airways (1963) Limited, Gander International Airport, Gander, Newfoundland, owned beneficially and of record 45,681 Deferred Shares of the Company, representing 100% of those outstanding on October 31, 1972. After the purchase for cancellation of 20,717 Deferred Shares, as referred to under "Use of Proceeds" on page 9, Eastern Provincial will own beneficially and of record 24,964 Deferred Shares representing 100% of those to be outstanding.

At October 31, 1972, the directors and officers of the Company, as a group, owned beneficially, directly or indirectly, 892,125 Common Shares, or approximately 89.3% of those outstanding and following completion of this offering 750,225 Common Shares or approximately 62.7% of those to be outstanding.

All Selling Shareholders of the Company have agreed not to sell, hypothecate, transfer or otherwise dispose of any of the Common Shares of the Company owned by them for 180 days from the date of this offering without the prior written consent of the Underwriter.

Escrow Agreement

By agreement dated November 17, 1972, the Selling Shareholders will deposit prior to December 12, 1972 500,000 of their Common Shares in escrow with Montreal Trust Company. These Common Shares may not be sold, released from escrow, or otherwise in any manner dealt with, without the express consent in writing of the Quebec and Ontario Securities Commissions.

Voting Trust Agreement

With a view to securing continuity in the management and policy of the Company, the Selling Shareholders also agreed, by agreement dated November 17, 1972, that Montreal Trust Company would hold an aggregate of 717,200 Common Shares of the Company (including the 500,000 Common Shares deposited under the Escrow Agreement). Messrs. A. C. Crosbie, A. J. Lewington and K. A. Miller are the voting trustees under this agreement and shall be entitled to exercise all voting rights with respect to these Common Shares. These Common Shares will remain subject to the Voting Trust Agreement until termination of the agreement on December 31, 1974, except for those Common Shares which may be released by the voting trustees upon the death of a Selling Shareholder, subject to the provisions of the above Escrow Agreement, if it is then still in effect.

Material Contracts

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Company within the two years preceding the date hereof are the following:

1. Underwriting Agreement referred to under "Plan of Distribution" on page 9.
2. On December 29, 1971, Eastern Provincial acquired title to three Boeing Model No. 737-2E1 aircraft and a spare jet engine from The Boeing Company ("Boeing") by paying the balance owing of \$12,542,166 (U.S.) pursuant to the terms of conditional purchase agreements entered into in 1969 and 1970 under which Eastern Provincial had been previously operating this equipment. On the same day, Eastern Provincial sold these aircraft and the spare jet engine to Canadian Acceptance Corporation, Limited ("CAC") for a total price of \$15,103,397 and CAC leased the aircraft back to Eastern Provincial. This lease will terminate on December 29, 1984, at which time Eastern Provincial has the option of purchasing the aircraft at their fair market value. The lease provides for semi-annual instalments of basic rent of \$851,190, which is subject to adjustment in favour of CAC should the rate of capital cost allowance permitted on the aircraft be reduced. Eastern Provincial has also covenanted, among other things, that it will not, without the prior written consent of CAC, make capital expenditures during any year of the lease in excess of \$900,000. CAC has given its consent to the purchase of the two aircraft referred to in items 7 and 9 below.
3. By agreement between CAC, Eastern Provincial and the Newfoundland Industrial Development Corporation ("NIDC") dated December 29, 1971, NIDC, which had loaned CAC \$10,500,000 on account of the purchase price of the three aircraft and which had received as security a chattel mortgage on the aircraft, received as further security a pledge of the rentals to be paid by Eastern Provincial to CAC under the terms of the above lease. In order to further secure NIDC's loan to CAC, the Company and its subsidiaries and NIDC on the same date entered into an agreement, amended by a supplemental agreement on October 12, 1972,

under which the Company and its subsidiaries granted NIDC a specific mortgage on certain assets and a floating charge on all their other property and assets and also gave various undertakings to NIDC respecting certain aspects of the operations of Eastern Provincial.

4. By agreement between the Company and its subsidiaries and the Province of Newfoundland (the "Province"), dated December 29, 1971 the Company and its subsidiaries agreed to hold the Province harmless against any loss incurred by the Province by reason of its guarantee of the principal of and interest on \$10,500,000 (U.S.) of debentures which were issued by NIDC to raise the money which NIDC had loaned to CAC as referred to in (3) above. Under this agreement, Eastern Provincial undertook to purchase debentures of the Province in the amount of \$1,500,000 which were to be deposited in a sinking fund to be used for the purpose of paying at maturity the principal amount of \$6,000,000 of 6½% Sinking Fund Debentures due 1991 which had been issued by Eastern Provincial in 1966.
5. On December 29, 1971 and on October 12, 1972 Eastern Provincial entered into agreements with the Province and the Montreal Trust Company, the trustee of Eastern Provincial's \$6,000,000 6½% Sinking Fund Debentures, whereby the parties agreed to amend and eliminate certain of Eastern Provincial's covenants contained in an agreement made between them on March 15, 1966 setting the terms and conditions of Eastern Provincial's 6½% Sinking Fund Debentures.
6. On December 29, 1971, the Company and its subsidiaries agreed with the Province to amend an earlier agreement between them dated March 15, 1966 under which the Company and its subsidiaries had granted to the Province an assignment and a first and specific mortgage of certain assets of the Company and its subsidiaries and a first floating charge to secure the Province's unconditional guarantee of the \$6,000,000 6½% Sinking Fund Debentures of Eastern Provincial and agreed to various covenants respecting certain aspects of the operations of Eastern Provincial. The agreement was further revised by an agreement between the Company and its subsidiaries and the Province dated October 12, 1972.
7. By purchase agreement between Boeing and Eastern Provincial entered into on June 14, 1972, amended by supplemental agreement on October 25, 1972, Eastern Provincial purchased two Boeing Model No. 737-2E1 aircraft (the "fourth and fifth jets") for delivery during or before April, 1973 and October, 1973 respectively. The basic price for the fourth jet is \$5,205,412 (U.S.) and the basic price for the fifth jet is \$5,226,911 (U.S.). In addition to the purchase prices, Eastern Provincial agreed to pay Boeing on demand any sales taxes or customs duties required to be paid by Boeing.
8. On July 19, 1972 Eastern Provincial and IMB Leasing Limited ("IMB") entered into a letter agreement whereby IMB would provide financing of \$5,220,000 for the fourth jet and for one additional spare jet engine, which Eastern Provincial has arranged to acquire for approximately \$600,000. The term of the financing is to be ten years with quarterly payments of approximately \$190,990 with interest at the rate of 7½%. A definitive conditional sale agreement between Eastern Provincial and IMB has not yet been settled. Under the proposed agreement the fourth jet and the spare jet engine would be sold to Eastern Provincial by IMB after Eastern Provincial had assigned its rights under the purchase agreement with Boeing referred to in item 7 above to IMB. The agreement will also provide, among other covenants, restrictions on the payment of dividends on its Preferred Shares and on its Common Shares and as referred to under the headings "Dividends" on page 9 and "Dividend Policy" on page 11 respectively. Another proposed condition is that the Company shall raise \$2,000,000 in equity capital prior to December 31, 1973, which condition will be satisfied by the present offering.
9. On July 10, 1972 IMB affirmed by letter to Eastern Provincial its willingness to finance the fifth jet on the same general terms and conditions as the fourth jet.
10. On December 31, 1970, Eastern Provincial sold its bush-flying assets to a wholly-owned subsidiary company, Newfoundland Airways Limited, receiving as proceeds therefrom \$150,000 of 6% non-cumulative, non-voting, redeemable preferred shares in Newfoundland Airways Limited and a 10% note receivable for \$635,000. On March 1, 1971, Eastern Provincial entered into an agreement with G. E. Patey, G. Furey and V. Burton (the "Purchasers"), all of Goose Bay whereby Eastern Provincial sold to the Purchasers all the common shares it held in Newfoundland Airways Limited for the sum of \$4,500 and the payment of \$585,000 on the 10% note receivable, the balance of \$50,000 remaining outstanding.

11. On March 27, 1972 Eastern Provincial entered into a deed of loan with a Canadian chartered bank (the "Bank") whereby the Bank loaned to Eastern Provincial the sum of \$1,500,000 and an additional sum of \$250,000, which sums shall bear interest at a rate of 1% per annum in excess of the best commercial bank rate per annum of the Bank as fixed from time to time in accordance with its customary bank practice. Certain of Eastern Provincial's covenants were cancelled by an agreement between Eastern Provincial and the Bank dated October 13, 1972.

Copies of the foregoing contracts and agreements may be examined during normal business hours at the head office of the Company, Gander International Airport, Gander, Newfoundland, or at its office at 4, Place Ville Marie, Montreal, during the period of distribution to the public of the Common Shares and the Series A Preferred Shares offered by this prospectus and for a period of 30 days thereafter.

EASTERN PROVINCIAL AIRWAYS LIMITED
and Subsidiary Companies

Consolidated Balance Sheet and
Pro Forma Consolidated Balance Sheet
 (expressed in thousands of dollars)

	Assets		Pro forma
	December 31, 1971	August 31, 1972 (unaudited)	August 31, 1972 (unaudited)
Current assets:			
Cash, including term deposits	\$ 1,656	\$ 2,240	\$ 3,148
Accounts receivable	3,170	3,144	3,144
Due by directors	45	—	—
Materials, supplies and parts, at lower of cost or net realizable value	759	705	705
Prepaid expenses	36	191	191
Total current assets	5,666	6,280	7,188
Investments and other assets, at cost	302	216	216
Property and equipment (Note 3):			
Flight equipment	6,155	6,538	6,538
Buildings and ground facilities	1,643	1,782	1,782
Less accumulated depreciation and provision for overhauls of owned aircraft	7,798	8,320	8,320
	4,455	4,541	4,541
	3,343	3,779	3,779
Deposits for purchase of aircraft (Note 10)	—	537	537
Net property and equipment	3,343	4,316	4,316
Deferred charges, at cost less amortization (Note 4)	443	395	578
Excess of cost of investment in shares of subsidiary companies over equity in net assets at date of acquisition (Note 1)	1,856	1,856	1,856
	\$11,610	\$13,063	\$14,154
Liabilities and Shareholders' Equity			
Current liabilities:			
Due to bank (Note 5)	\$ 497	\$ 1,164	\$ —
Accounts payable and accrued liabilities	1,647	1,861	1,861
Portion of long-term debt due within one year (Note 6)	1,810	742	742
Deferred revenue	304	132	132
Total current liabilities	4,258	3,899	2,735
Long-term debt, less current portion (Note 6)	4,002	4,561	4,561
Provision for overhaul of leased aircraft (Note 3)	746	666	666
Deferred income taxes	115	775	775
Shareholders' Equity:			
Capital stock (Note 7)	200	200	2,455
Excess of appraised value of property and equipment, over cost (Note 3)	605	540	540
Retained earnings	1,684	2,422	2,422
Total shareholders' equity	2,489	3,162	5,417
Commitments and contingent liabilities (Note 10)	\$11,610	\$13,063	\$14,154

See accompanying notes to consolidated financial statements

On behalf of the Board:

(Sgd.) W. H. Harris, Director

(Sgd.) K. A. Miller, Director

EASTERN PROVINCIAL AIRWAYS LIMITED
and Subsidiary Companies

Consolidated Statement of Income
 (expressed in thousands of dollars)

	Year ended December 31					Eight months ended August 31	
	1967	1968	1969	1970	1971	1971 (unaudited)	1972 (unaudited)
Revenues:							
Scheduled revenues	\$4,637	\$5,089	\$6,899	\$10,826	\$14,153	\$9,350	\$10,499
Government subsidies (Note 8)	629	900	1,345	1,345	1,391	600	675
Scheduled operations	5,266	5,989	8,244	12,171	15,544	9,950	11,174
Charter and other operations	2,884	2,873	2,850	1,975	1,070	800	1,093
	<u>8,150</u>	<u>8,862</u>	<u>11,094</u>	<u>14,146</u>	<u>16,614</u>	<u>10,750</u>	<u>12,267</u>
Costs and expenses:							
Operating expenses	6,603	7,549	9,892	10,617	12,236	7,670	9,840
Provision for major overhauls (Note 3)	480	509	646	510	756	502	524
Depreciation	576	661	719	1,283	1,477	954	404
Amortization of introductory costs (Note 4)	1	6	23	85	102	64	74
	<u>7,660</u>	<u>8,725</u>	<u>11,280</u>	<u>12,495</u>	<u>14,571</u>	<u>9,190</u>	<u>10,842</u>
Income (loss) from operations	490	137	(186)	1,651	2,043	1,560	1,425
Other income, including gain on disposal of equipment	22	76	66	308	101	77	272
	<u>512</u>	<u>213</u>	<u>(120)</u>	<u>1,959</u>	<u>2,144</u>	<u>1,637</u>	<u>1,697</u>
Interest and debt expense:							
Long-term debt, including amortization of bond issue expense (Note 4)	425	437	547	1,653	1,821	1,220	342
Other	15	21	36	50	51	34	23
	<u>440</u>	<u>458</u>	<u>583</u>	<u>1,703</u>	<u>1,872</u>	<u>1,254</u>	<u>365</u>
Income (loss) before provision for deferred income taxes	72	(245)	(703)	256	272	383	1,332
Provision for deferred income taxes	29	—	—	136	117	165	660
Net income (loss) before extraordinary items	43	(245)	(703)	120	155	218	672
Extraordinary items, net of deferred income taxes (Note 12)	29	385	27	312	1,463	165	—
Net income (loss)	<u>\$ 72</u>	<u>\$ 140</u>	<u>\$ (676)</u>	<u>\$ 432</u>	<u>\$ 1,618</u>	<u>\$ 383</u>	<u>\$ 672</u>
Per share (Note 9):							
Net income (loss) before extraordinary items	<u>\$ 0.07</u>	<u>\$ (0.28)</u>	<u>\$ (0.71)</u>	<u>\$ 0.12</u>	<u>\$ 0.15</u>	<u>\$ 0.22</u>	<u>\$ 0.67</u>
Net income (loss)	<u>\$ 0.12</u>	<u>\$ 0.16</u>	<u>\$ (0.69)</u>	<u>\$ 0.43</u>	<u>\$ 1.62</u>	<u>\$ 0.38</u>	<u>\$ 0.67</u>
Per share on a pro forma basis (Note 15):							
Basic—Net income before extraordinary items				\$ 0.14	\$ 0.19	\$ 0.56	
—Net income				<u>\$ 1.36</u>	<u>\$ 0.32</u>	<u>\$ 0.56</u>	
Fully diluted—Net income before extraordinary items				\$ 0.14	\$ 0.19	\$ 0.54	
—Net income				<u>\$ 1.26</u>	<u>\$ 0.32</u>	<u>\$ 0.54</u>	

See accompanying notes to consolidated financial statements

EASTERN PROVINCIAL AIRWAYS LIMITED
and Subsidiary Companies

Consolidated Statement of Retained Earnings
 (expressed in thousands of dollars)

	Year ended December 31					Eight months ended August 31	
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1971</u> (unaudited)	<u>1972</u> (unaudited)
Retained earnings (deficit) at beginning of period, as restated (Note 11)	\$(921)	\$(661)	\$(340)	\$(785)	\$(97)	\$(97)	\$1,684
Net income (loss)	72	140	(676)	432	1,618	383	672
Realization of excess of appraised value of property and equipment over cost (Note 3)	<u>188</u>	<u>181</u>	<u>231</u>	<u>256</u>	<u>163</u>	<u>109</u>	<u>66</u>
Retained earnings (deficit) at end of period	<u><u>\$(661)</u></u>	<u><u>\$(340)</u></u>	<u><u>\$(785)</u></u>	<u><u>\$(97)</u></u>	<u><u>\$1,684</u></u>	<u><u>\$395</u></u>	<u><u>\$2,422</u></u>

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Basis of Consolidation:

The consolidated financial statements include the accounts of Eastern Provincial Airways Limited and its wholly-owned subsidiary companies, Maritime Central Airways Limited and Eastern Provincial Airways (1963) Limited.

The excess of cost of investment in shares of subsidiaries over equity in net assets at date of acquisition amounting to \$1,855,620 arose upon the acquisition of Maritime Central Airways Limited.

2. Pro Forma Consolidated Balance Sheet (unaudited):

The pro forma unaudited balance sheet gives effect, as of August 31, 1972, to the following:

- (a) The issue of 6% Cumulative, Redeemable, Convertible Preferred Shares Series A of \$15 par value each for an aggregate cash consideration of \$1,005,000;
- (b) The issue of 200,000 Common Shares without nominal or par value for an aggregate cash consideration of \$1,250,000;
- (c) The payment of commission of \$140,250 and other expenses of issue estimated at \$43,000 which amounts have been charged to deferred financing expenses; and
- (d) The reduction of the amount due to bank of \$1,164,000 and the addition of \$907,750 to the general funds of Eastern Provincial Airways (1963) Limited. Reference is made to Note 10 "Commitments and Contingent Liabilities" and to "Use of Proceeds" on page 9.

3. Property and Equipment:

Property and equipment are stated at values determined by the directors as of December 31, 1963, with additions subsequent thereto being recorded at cost. The unrealized portion of the appraisal increase is included in shareholders' equity as "Excess of appraised value of property and equipment over cost".

Depreciation on property and equipment is provided at straight-line rates which are related to the estimated useful life of the assets. The useful lives estimated for the assets are as follows:

Jet aircraft spare parts	14 years
Propeller aircraft and spare parts	7 - 10 years
Buildings	20 years
Ground facilities	4 - 5 years

Provision for major overhauls on airframes and engines, whether owned or leased, is made based on aircraft flying time. The Company has received from the Department of Transport an extension of time between major overhauls and accordingly the hourly charge made in respect of certain aircraft was adjusted on a retroactive basis. The effect on restatement of these provisions is disclosed in Note 11.

4. **Deferred Charges:**

Deferred charges as of December 31, 1971 and August 31, 1972 are summarized as follows:

	December 31, 1971	August 31, 1972
New aircraft introductory costs	\$350,432	\$305,876
Deferred financing expenses	92,780	89,567
	<u>\$443,212</u>	<u>\$395,443</u>

The new aircraft introductory costs represent initial flight crew training expenses and are being amortized over a five year period. The debenture issue expenses relate to the 6½% sinking fund debentures included in long-term debt and are being written off over 25 years, the term of the debentures.

5. **Due to Bank:**

The amounts due to bank include demand loans of \$127,000 and \$531,000 at December 31, 1971 and August 31, 1972 respectively, which are secured by a general assignment of receivables.

6. **Long-term debt:**

	December 31, 1971	August 31, 1972
6½% sinking fund debentures due March 15, 1991 (less sinking fund investments December 31, 1971—\$2,328,000; August 31, 1972—\$2,779,000)	\$3,672,000	\$3,221,000
12½% debenture payable	370,000	290,000
Term bank loan at prime interest rate plus 1%	1,525,000	1,375,000
Term bank loan at 7%	—	382,000
Other	244,915	35,000
	<u>5,811,915</u>	<u>5,303,000</u>
Less current maturities included in current liabilities	1,809,915	742,000
	<u>\$4,002,000</u>	<u>\$4,561,000</u>

The sinking fund debentures are unconditionally guaranteed by the Province of Newfoundland; this guarantee being secured by a first and specific mortgage on certain assets and a first floating charge on all assets. The sinking fund investments together with the future earnings of the fund will be sufficient to retire the principal amount of the sinking fund debentures at maturity. Maturities of other long-term debt for the five years ended August 31, 1973, through 1977, amount to \$742,000, \$360,000, \$290,000, \$240,000 and \$415,000.

7. **Capital stock:**

	December 31, 1971	August 31, 1972	Pro forma August 31, 1972
		(unaudited)	(unaudited)
Preferred Shares \$15 par value each, issuable in series.			
Authorized—135,000 shares, Series A—67,000 6% cumulative, redeemable, convertible preferred shares.			
Issued—nil	\$ —	\$ —	
Issued on a pro forma basis—67,000 shares			\$1,005,000
Common shares of \$25 par value each.			
Authorized—10,000 shares.			
Issued and fully paid—8,003 shares	200,075	200,075	—
Common Shares without nominal or par value.			
Authorized—3,000,000 shares.			
Issued on a pro forma basis—1,200,375 shares	—	—	1,450,075
Deferred Shares of \$100 par value each.			
Authorized—47,500 shares.			
Issued and eliminated on consolidation—45,681 shares	—	—	
Issued and eliminated on consolidation on a pro forma basis—24,964 shares			
	<u>\$200,075</u>	<u>\$200,075</u>	<u>\$2,455,075</u>

By special resolutions filed in the Registry of Companies at St. John's, Newfoundland on October 4 and October 9, 1972, the Company altered, cancelled and increased its authorized capital stock by creating 3,000,000 Common Shares without nominal or par value and 135,000 cumulative, redeemable Preferred Shares of the par value of \$15 each, issuable in series, cancelling 1,997 common shares of the par value of \$25 each then authorized but unissued and altering the designation and certain terms of the 47,500 6% non-cumulative, redeemable preference shares of the par value of \$100 each to constitute them as Deferred Shares of the par value of \$100 each. The Company also fixed the terms for the exchange of certain of the Company's Common Shares without

nominal or par value for all of the then outstanding 8,003 common shares with the par value of \$25 each at the rate of 125 to 1 so that upon receipt by the Company of these 8,003 common shares, 1,000,375 Common Shares without nominal or par value issued in exchange therefor shall be deemed fully paid and non-assessable.

134,000 Common Shares are to be reserved for issuance under the conversion privilege attaching to the Series A Preferred Shares referred to under "Description of Series A Preferred Shares" on page 9. A further 100,000 Common Shares are reserved for issuance under the plans referred to under "Stock Option and Stock Purchase Plans" on page 11.

8. Government subsidies:

A subsidiary company is eligible to receive federal subsidies on certain of its air routes the amount of which is subject to the audit and approval of the Canadian Transport Commission and Treasury Board. Reference is made to "Government Subsidies" on page 6.

9. Net income per share:

The computation of net income per share has been made using the weighted average number of common shares outstanding during the respective periods after giving retroactive effect to the exchange of common shares referred to in Note 7.

10. Commitments and contingent liabilities:

(a) A subsidiary company during 1972 entered into an agreement to acquire a Boeing 737 aircraft and a spare engine for delivery by April 1973 at an estimated cost of \$5,800,000 for which a down payment of U.S. \$523,000 has been made. Arrangements to finance the remaining unpaid amount upon delivery of the aircraft and the spare engine are referred to in item 8 under "Material Contracts" on page 15.

In addition, the same subsidiary has signed a further agreement with the manufacturer for the purchase for approximately U.S. \$5,227,000 of another Boeing 737 aircraft for delivery by October 1973, for which a deposit of U.S. \$697,000 has been made. Purchase and financing arrangements are referred to in items 7 and 9 under "Material Contracts" on page 15.

(b) In 1971, a subsidiary sold three Boeing 737 aircraft and a spare engine and subsequently entered into a lease agreement whereby the subsidiary is committed to lease the equipment for a period of thirteen years at a basic annual rental of \$1,702,380.

As a condition of the sale, the Company and its subsidiaries have guaranteed a loan of \$10,500,000 made by a third party to the purchaser of the three above-mentioned aircraft and have executed a mortgage agreement on certain assets, except those assets which may be given as security for bank loans. This mortgage is subordinated to the first and specific mortgage relating to the 6½% sinking fund debentures included in long-term debt.

Related to this transaction the Company and its subsidiaries have agreed to assume any foreign exchange loss (or will be credited with any foreign exchange gain) that may occur through the retirement by the third party of U.S. dollar debt that was incurred specifically for purposes of making the loan to the purchaser of the aircraft.

11. Restatement of figures for prior periods:

Prior period adjustments arose in 1972 which together with the change in accounting practice described in Note 3 and certain reclassifications considered appropriate for a proper comparison of income resulted in the following increases (decrease) in previously reported figures:

	Year ended December 31	
	<u>1970</u>	<u>1971</u>
Income before provision for deferred income taxes:		
(a) Prior period adjustment relating to settlement of federal subsidy and mail contract	\$ 28,857	\$159,711
(b) Change in accounting practice relating to provisions for major overhauls (see Note 3)	159,492	214,047
Extraordinary items:		
(a) Prior period adjustment of sales taxes on jets sold in 1971	—	117,019
(b) Exchange gain on retirement of debt, previously credited to retained earnings	—	841,231
(c) Reclassification of gain on disposal of bush aircraft	458,038	(458,038)
	646,387	873,970
Deferred income taxes thereon after utilizing prior years' losses	—	115,000
Increase in net income	<u>\$646,387</u>	<u>\$758,970</u>

The gain on disposal of bush aircraft of \$458,038 has been reclassified to 1970 as subsequent information revealed that the transaction had been effectively completed in that year.

The above restatements had the effect of increasing net income per share before extraordinary items by \$0.05 and \$0.26 and increasing net income per share by \$0.65 and \$0.76 for the years ended December 31, 1970, and December 31, 1971, respectively.

12. Details of extraordinary items:

	Years ended December 31					Eight months ended August 31	
	1967	1968	1969	1970	1971	1971	1972
Extraordinary items, net of deferred income taxes:							
Exchange gain on retirement of debt	\$ —	\$ —	\$ —	\$ —	\$ 841	\$ —	\$ —
Gain on sale of aircraft	—	—	—	287	294	—	—
Special writedown on Carvair aircraft	—	—	—	(201)	—	—	—
Settlement of damage claim	—	385	27	—	—	—	—
Income tax reduction on utilization of prior years' losses	29	—	—	226	328	165	—
	<u>\$ 29</u>	<u>\$385</u>	<u>\$ 27</u>	<u>\$312</u>	<u>\$1,463</u>	<u>\$165</u>	<u>\$ —</u>

13. Basis of Translation of Foreign Currencies:

Current balances receivable and payable in foreign currencies have been translated to Canadian dollars at the exchange rate prevailing on December 31, 1971 and August 31, 1972. There were no long term receivables and payables in foreign currencies.

14. Pension Plan:

The Company has in effect a pension plan covering its employees. The plan is estimated by actuarial advisors to be fully funded at December 31, 1971 and August 31, 1972.

15. Net income per share on a pro forma basis:

Basic pro forma earnings per share figures show the effect on earnings per share which would have resulted if the current share offering had taken place at the beginning of 1971. The following assumptions have been made:

- The issue of 200,000 Common Shares and 67,000 6% Cumulative, Redeemable, Convertible Preferred Shares, Series A, for a total cash consideration of \$2,100,000 after taking into consideration estimated costs of the issue.
- An addition to net income, after taking income taxes into account, of \$69,000 for the year ended December 31, 1971 and \$46,000 for the two periods of eight months ended August 31, 1971 and August 31, 1972 being the earnings, less income taxes, imputed to the cash proceeds from the issues referred to in (a) at 7% per annum as if such cash proceeds were present from the beginning of 1971.
- Provisions for a cumulative preferred dividend of \$60,000 in respect of the year ended December 31, 1971 and \$40,000 in respect of the two periods of eight months ended August 31, 1971 and August 31, 1972.

Fully diluted pro forma earnings per share shows the effect on earnings per share which would result if all of the 6% Cumulative, Redeemable, Convertible Preferred Shares, Series A, had been converted into Common Shares at the beginning of 1971 on the basis of two Common Shares for each Preferred Share outstanding.

Auditors' Report

To the Directors,
Eastern Provincial Airways Limited

We have examined the Consolidated Balance Sheet of Eastern Provincial Airways Limited and its subsidiary companies as of December 31, 1971 and the Consolidated Statements of Income and Retained Earnings for the five years then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) The accompanying Consolidated Balance Sheet presents fairly the financial position of the Company and its subsidiaries as of December 31, 1971;
- (b) The accompanying Consolidated Statements of Income and Retained Earnings present fairly the results of operations of the companies for the five years ended December 31, 1971;

all in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting practice referred to in Note 3 to the financial statements, on a consistent basis.

St. John's, Newfoundland
November 17, 1972

(Sgd.) Peat, Marwick, Mitchell & Co.
Chartered Accountants

Purchasers' Statutory Rights of Withdrawal and Rescission

The attention of purchasers in the Provinces of Alberta, Saskatchewan, Manitoba and Ontario of any of the securities offered by this prospectus which are offered in such Provinces is drawn to certain statutory provisions which permit such purchasers in certain events and subject to certain conditions:

- (a) to withdraw from the contract to purchase such security if written or telegraphic notice evidencing the intention of the purchaser not to be bound by such contract is received by the vendor or its agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent; and
- (b) to rescind the contract to purchase such security, while still the owner thereof, by commencing an action within 90 days from the date of such contract or the date on which the prospectus or amended prospectus is received or deemed to be received by the purchaser or his agent, whichever is later, if such prospectus and any amended prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made.

The complete text of the provisions under which the foregoing rights are conferred is contained in Sections 63 and 64 of The Securities Act (Manitoba), in Sections 64 and 65 of The Securities Act (Ontario) and The Securities Act (Alberta) and in Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan).

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act of British Columbia for the complete text of the provisions under which the rights of purchasers in British Columbia are conferred.

Certificates

Dated November 20, 1972

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part VII of The Securities Act (Ontario), under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick) and the respective regulations made thereunder.

Chief Executive Officer

(Sgd.) A. J. Lewington

President

Chief Financial Officer

(Sgd.) H. L. Wareham

Vice President—Finance

On behalf of the Board of Directors:

(Sgd.) Andrew Crosbie

Director

(Sgd.) K. A. Miller

Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part VII of The Securities Act (Ontario), under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick) and the respective regulations made thereunder.

Underwriter

MERRILL LYNCH, ROYAL SECURITIES LIMITED

By: (Sgd.) Donald C. McLeod

Merrill Lynch, Royal Securities Limited is, indirectly, a wholly-owned subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

6.

STOCK PROVISIONS AND VOTING POWERS

A description of the provisions and voting powers attaching to the 6% cumulative, redeemable, convertible Preferred Shares, Series A of the par value of \$15 each, is found on pages 9, 10, 11 of the Prospectus under the heading "Description of Series A Preferred Shares". The Common Shares without nominal or par value and the 6% non-cumulative redeemable Deferred Shares of the par value of \$100 each are described on page 11 of the Prospectus under the headings "Description of Common Shares" and "Description of Deferred Shares".

717,200 Common Shares are subject to a voting trust agreement and, of these shares, 500,000 are also subject to an escrow agreement. Details of these agreements may be found on page 15 of the Prospectus under the headings "Voting Trust Agreement" and "Escrow Agreement".

7.

DIVIDEND RECORD

The company has paid no dividends to the holders of any class of its capital stock during the preceding ten years.

8.

RECORD OF PROPERTIES

The Company is a holding Company and actually owns no property. The properties owned by its operating subsidiary, Eastern Provincial, are referred to on pages 4 and 5 of the Prospectus, under the heading "Equipment and Facilities".

9.

SUBSIDIARY COMPANIES

The Company has one wholly-owned subsidiary company, Maritime Central Airways Limited, (herein-after called "M.C.A.") which was incorporated under the laws of Canada by letters patent dated September 30, 1941. The share capital of M.C.A. is as follows:

<u>Class</u>	<u>Par Value</u>	<u>Authorized</u>	<u>Issued</u>	<u>Percentage owned by Company</u>
Preferred	\$100	10,000	6,666*	
Common	Nil	150,000	150,000	100%

*all of which were redeemed prior to 1963.

M.C.A. is an inactive company which owns all the issued and outstanding shares of Eastern Provincial, which latter company was incorporated under the laws of the Province of Newfoundland on July 30, 1963. The share capital of Eastern Provincial is as follows:

<u>Class</u>	<u>Par Value</u>	<u>Authorized</u>	<u>Issued</u>	<u>Percentage owned by M.C.A.</u>
Preferred	\$100	47,000	32,638	100%
Common	Nil	10,000	998	100%

Eastern Provincial is the operating company of the group. A description of its activities may be found at page 3 and following of the Prospectus, under the heading "The Company".

10.

FUNDED DEBT

With regard to the details of Eastern Provincial's funded debt, including the maturity dates and the security therefor, reference is made to page 8 of the Prospectus under the heading "Capitalization" and to paragraphs 4, 5 and 6 under the heading "Material Contracts" on page 15 of the Prospectus.

11.

OPTIONS, UNDERWRITINGS, ETC.

(a) The Company has adopted a Stock Purchase and a Stock Option plan reserving, in each case, 50,000 Common Shares for future issue. Details of these plans may be found on page 11 of the Prospectus under the heading "Stock Option and Stock Purchase Plans".

(b) The Company has entered into an Underwriting Agreement dated November 20, 1972, with Merrill Lynch, Royal Securities Limited, the details of which are set forth on page 9 of the Prospectus under the heading "Plan of Distribution".

12.

LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company presently listed on any other Stock Exchange, but the Company is making application to list 1,434,375 Common Shares and 67,000 Series A Preferred Shares of its capital stock on the Montreal Stock Exchange.

13.

STATUS UNDER SECURITIES ACTS

The 350,000 Common Shares and 67,000 Series A Preferred Shares of the Company's capital stock offered for sale by the Prospectus were qualified for sale to the public through registered brokers in all the Provinces of Canada.

14.

FISCAL YEAR

The fiscal year of the Company ends on December 31 of each year.

15.

ANNUAL MEETINGS

The Articles of Association of the Company provide that the General Meeting of the Company shall be held once in every year at such time (being more than fifteen months after the holding of the last preceding General Meeting) and place as may be prescribed by the Company in General Meeting, or in default, at such time in the month following that in which the anniversary of the Company's incorporation occurs, and at such place as the Directors may appoint. The last Annual General Meeting of the Company was held on May 10, 1972.

16.

HEAD OFFICE

The Head Office of the Company and its principal place of business are situated at Gander International Airport, Gander, Newfoundland.

17.

TRANSFER AGENT

The Transfer Agent of the Company is:

The Royal Trust Company at its principal offices in St. John's, Halifax, Montreal, Toronto, Winnipeg and Regina.

18.

TRANSFER FEE

No fee is charged on stock transfers other than the customary government Stock Transfer taxes.

19.

REGISTRAR

The Registrar of the Company is:

The Royal Trust Company at its principal offices in St. John's, Halifax, Montreal, Toronto, Winnipeg and Regina.

20.

AUDITORS

The auditors of the Company are Peat, Marwick, Mitchell & Co., Chartered Accountants, St. John's, Newfoundland.

21.

OFFICERS AND DIRECTORS

The names, home addresses, offices and principal occupations of Officers and Directors are set forth under the heading "Directors and Officers" on page 12 of the Prospectus.

CERTIFICATE

Pursuant to a Resolution duly passed by its Board of Directors, the Company hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

EASTERN PROVINCIAL AIRWAYS LIMITED



Per: "A. J. LEWINGTON",
President

Per: "H. L. WAREHAM",
Vice-President, Finance

CERTIFICATE OF UNDERWRITER

To the best of our knowledge, information and belief, all the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

MERRILL LYNCH, ROYAL SECURITIES LIMITED

Per: "E. E. DOYLE"

DISTRIBUTION OF COMMON STOCK AS OF JANUARY 5, 1973

Number						Shares
17	.....	Holders of	1 —	24	share lots	222
44	.....	" "	25 —	99	" "	1,980
201	.....	" "	100 —	199	" "	21,070
107	.....	" "	200 —	299	" "	21,800
49	.....	" "	300 —	399	" "	14,895
14	.....	" "	400 —	499	" "	5,600
81	.....	" "	500 —	999	" "	43,300
68	.....	" "	1000 —	up	" "	1,091,508
581	.....	Shareholders			Total shares	<u>1,200,375</u>